



SANIX INCORPORATED

Consolidated Financial Statements
For the First quarter ended June 30, 2014

The financial figures in this document are based on Japanese Accounting Standards and accompanying laws. Amounts are rounded off to 1 decimal place. This document is an English translation of the Japanese-language original.

Consolidated Financial Statements

For the First quarter ended June 30, 2014

SANIX INCORPORATED

Stock Listed: Tokyo Stock Exchange First Section, Fukuoka Stock Exchange
 Code No: 4651
 URL: http://www.sanix.jp/index_e.htm
 President and CEO: Shin-ichi Munemasa
 Contact: Kozo Inoue, Director, Management Corporate Officer,
 General Manager of Management & Planning Division

1. Consolidated Financial Highlights for the first quarter ended June 30, 2013

(1) Consolidated Operating Results

(Millions of Yen)

	First Quarter			
	From April 1 to June 30			
	FY2014	%change	FY2013	%change
Net Sales	21,714	37.8%	15,753	78.6%
Operating Income	(1,129)	-	965	-
Ordinary Income	(1,005)	-	924	-
Net Income	(1,222)	-	778	-
Net Income per Share (¥)	(¥25.62)	-	16.32	-
Net Income per Share(, Diluted(¥)	-	-	-	-
(Reference) Comprehensive Income	(1,208)	-	776	-

(2) Consolidated Financial Position

(Millions of Yen)

	As of June 30		As of March 31
	FY2014		FY2013
	Total Assets	53,651	
Net Assets	10,777		11,827
Shareholders' Equity Ratio (%)	20.0%		21.3%
Net assets per share(¥)	¥225.14		¥247.17
Reference	Shareholders' equity as of June 30 2014		10,748 million yen
	Shareholders' equity as of March 31 2014		11,798 million yen

2. Dividends

	At the end of				
	1st	2nd	3rd	4th	Annual
	Quarter	Quarter	Quarter	Quarter	
(Dividends per Share)					
FY2013 ended March 31, 2013.	0.00	0.00	0.00	0.00	0.00
FY2014 ending March 31, 2014	0.00				
FY2014 ending March 31, 2013(forecast)		0.00	0.00	0.00	0.00

3. Forecasts for Consolidated Business Results

(For the fiscal year ending March 31,2015)

	FY2014			
	First Half	%change	Full Year	%change
Net Sales.....	51,200	61.6%	161,500	91.8%
Operating Income.....	(1,250)	-	14,000	210.5%
Ordinary Income.....	(1,140)	-	13,800	220.2%
Net Income.....	(1,490)	-	8,830	197.8%
Net Income per Share (¥).....	-	-	¥184.73	-

There is no change from initial projections for semi-annual and annual operational results publicly announced on Aug.5, 2014.

4. Others

(1) Changes in significant subsidiaries during the period: None

(2) Adoption of special quarterly accounting methods: None

(3) Changes in accounting principles, accounting estimates and correction of prior errors

i)Changes in accounting principles due to revisions to accounting standards: Yes

ii)Changes other than shown in i) above: None

iii)Changes in accounting estimates: None

iv)Correction of prior period error: None

(4) Number of Shares Issued and Outstanding

	(Shares)	
	First Quarter	Full Year
	Ended June 30,2014	Ended March 31,2013
Number of shares issued and outstanding at period end.....	48,919,396	48,919,396
Number of treasury stocks at period end.....	1,177,693	1,186,243
Average number of shares issued and outstanding during the fiscal term.....	47,735,265	47,708,927

*Implementation status about the quarterly review:

This summary of financial statements is exempt from quarterly review procedure required by Financial Instruments and Exchange Act. A part of quarterly review for securities report based on Financial Instruments and Exchange Act have not finished at the time of disclosure of this summary of financial statements.

*Note to ensure appropriate use of forecasts:

Forecasts in this document are based on assumptions, prospects and plans as of the date of this document. Actual results may differ significantly from these forecasts, due to various factors affecting the Company's business performance, such as change in economical conditions.

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This material is a abridged translation translation of Japanese version of the attachment of Consolidated Financial Statements for the First quarter ended June 30, 2014 of SANIX INCORPORATED.

1. Qualitative Information for the first quarter ended June 30, 2014

(1) Qualitative Information of Consolidated Operation Results

In the first quarter of the fiscal year ending March 31, 2015 (April 1, 2014 to June 30, 2014), the Japanese economy was affected by weak demand following the last-minute shopping spree ahead of the consumption tax hike. However, business conditions remained on a modest recovery path, supported by improvement in corporate earnings and employment.

Under such a business environment, our Group concentrated on sales and installation of commercial photovoltaic (PV) systems, which are expected to expand under the "Renewable Energy Feed in Tariff Purchasing Program," which started in July 2012. In a move to restructure the Group's commercial PV business, the Group established the West Japan SE Business Headquarters in the West Japan region, which is its main area of operation, and the East Japan SE Business Headquarters, with a view to establishing a system for direct sales and direct installation in the East Japan Region, effective April 1, 2014. In addition, the Group's wholly owned subsidiary Sanix Engineering Incorporated, which had been in charge of the commercial PV business, had the business taken over by the Solar Engineering (SE) Division, effective June 1, 2014. As a result of this restructuring, the Group changed the name of the Commercial Photovoltaics (PV) Division to the Solar Engineering (SE) Division and also transferred the business of PV systems for homes, etc. belonging to the Home Sanitation (HS) Division and the Establishment Sanitation (ES) Division to the SE Division, effective from the first quarter under review.

Figures for the same period of the previous year have been restated to reflect the new segment classification for year on year comparison.

As for sales in the first quarter under review, the SE Division posted substantial revenue growth in PV systems. In the Environmental Resources Development (ERD) Division, revenue from the electricity sales of TOMAKOMAI Power Plant increased, but plastic fuel revenue and organic waste processing revenue declined due to decreases acceptance volumes. The HS and ES Divisions posted sharp revenue declines because they transferred PV business to the SE Division and focused on sanitation-related maintenance for existing customer.

As a consequence, the Net Sales of the entire group were ¥21,714 million, or up 37.8% from a year earlier.

In terms of profitability, in the SE Division, PV systems registered increased profit. However, power companies took a long time investigating grid connection, preventing growth in the number of installations and, as a result, profit growth was not enough to absorb fixed costs and the segment posted an operating loss. The ERD Division reported decreased profit due to a reduction in acceptance volumes. The HS and ES Divisions showed decreased profits due to lower sales as a result of switching to a system of focusing on maintenance for existing customer. As a consequence, for the whole group, the operating loss of ¥1,129 million compared to the operating income of ¥965 million in the same period of a prior year, and the ordinary loss was ¥1,005 million (ordinary income of ¥924 million in the same period of a prior year), with the net loss of ¥1,222 million from net income of ¥778 million of net income in the year earlier period.

Consolidated results of individual divisions for this quarter were as follows:

Earnings of Individual Divisions:

Solar Engineering (SE) Division

The number of installations of commercial PV systems, which are the main product in this segment, increased to ¥15,635 million. The division posted an operating loss of ¥930 million (compared with operating income of ¥680 million in the same period of the previous year), reflecting a sharp increase in fixed costs such as labor costs as a

percentage of sales. This is because the Group expects the number of installations of PV systems to increase steadily through the second half of fiscal year and continued to actively recruit installation staff necessary to improve and expand the installation system. However, in the first quarter under review, the timing of installations was delayed largely because power companies took a long time examining grid connection and sales only increased 82.9% compared with the same period of the previous year.

(For reference: Changes in SE Division staff: Average number of staff increased from 555 in Apr-Jun 2013 to 2,395 in Apr-June 2014)

Environmental Resources Development (ERD) Division

Revenue from plastic fuel decreased 21.6% year on year, reflecting a reduction in the acceptance volume of waste plastic. Revenue from electricity sales rose 19.6% compared to the same period of the previous year due to stable operation of the TOMAKOMAI Power Plant. Revenue from organic waste processing fell 7.1% year on year, due to decreased acceptance volume. As a result, the net sales decreased 6.1% to ¥3,841 million compared to the year earlier period. The operating income decreased 14.6% to ¥374 million due to decrease in sales.

Home Sanitation (HS) Division

The HS Division transferred houseuse PV system business, which was included in its results for the first quarter of the previous fiscal year, to the SE Division and focused on sanitation management-related maintenance for existing customer including "termite control" and "sub-floor/roof ventilation system". As a result, the net sales decreased 21.2% to ¥2,064 million compared to the year earlier period. The operating income decreased 32.8% to ¥330 million due to decrease in sales.

Establishment Sanitation (ES) Division

The ES Division transferred PV system business, which was included in its results for the first quarter of the previous fiscal year, to the SE Division and focused on sanitation management-related maintenance for existing customer of buildings, condominiums, etc. As a result, the net sales decreased 54.6% to ¥273 million compared to the year earlier period. The operating loss of ¥50 million due to decrease in sales (operating income of ¥15 million in the same period of a prior year).

(2) Qualitative Information of Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets at the end of the first quarter under review were ¥53,651 million, a decrease of ¥1,665 million compared with the end of the previous consolidated fiscal year. Major factors were a decrease in cash and deposits, offsetting an increase in raw materials and supplies. Total liabilities were ¥42,874 million, a decrease of ¥615 million compared with the end of the previous consolidated fiscal year. Major factors were decreases in notes and accounts payable-trade, income taxes payable and accounts payable other, offsetting an increase in short-term loans payable. Total net assets were ¥10,777 million, a decrease of ¥1,050 million compared with the end of the previous consolidated fiscal year. A major factor was the recording of a net loss of ¥1,222 million yen.

As a result, the ratio of owners' equity was 20.0% at the end of the first quarter under review as compared with 21.3% at the end of the previous consolidated fiscal year.

(3) Qualitative information on the forecast of consolidated business results

SANIX has revised the consolidated earning forecast for the first half of the fiscal year ending March 31, 2015, which were announced May 14, 2014, on August 5, 2014.

Because it has been taking longer than the Company anticipated at the time of the previous announcement of the operating results forecast for the first half (May 14, 2014) for an electric utility companies to investigate each connection after the submission of an application for the connection to grid system, the number of installations was lower than planned. The main reason for the long time taken for the connection investigation is considered to be the rising volume of administrative work on each electric utility companies is required to undertake as a result of a significant increase in the number of certifications generation facilities of commercial PV system in February and March 2014.

The Company has revised its forecast net sales as described as follows, given the impact of the situation explained above on its results for the first six months of the current fiscal year, although this situation is expected to be gradually rectified on the current fiscal year.

With respect to income, mainly reflecting the fact that net sales will underperform the previous forecast, operating income, ordinary income and net income are all expected to be lower than the previous forecast.

The Company has not changed its operating results forecast for the full fiscal year ending March 2015 announced on May 14, 2014 because, in commercial PV systems, the level of the application for facility certification to the Company since May 2014 has reached the point where it significantly exceeds the initially anticipated level, and the Company believes that it will be able to make up for a shortfall in sales against forecast net sales for the first six months of the current fiscal year in the second half of the current fiscal year by revising its sales strategy and focusing on acquiring projects whose construction will commence promptly.

Revision of consolidated forecast for the 1st half of the fiscal year ending March 31, 2015(From April 1 to September 30, 2014)

(Millions of Yen)	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share (YEN)
Previous Forecast (A)	62,600	3,600	3,500	2,240	46.86
Revised Forecast (B)	51,200	(1,250)	(1,140)	(1,490)	(31.21)
Change (B-A)	(11,400)	(4,850)	(4,640)	(3,730)	
Percent Change (%)	-18.2%	-	-	-	
Reference: results for the 1st half of the fiscal year ended March 31,2014	31,692	1,495	1,443	1,051	22.05

2. Consolidated Financial Statements for the first quarter ended June 30, 2012

(1) Consolidated Quarterly Balance Sheets

(millions of Yen)

	As of March 31 FY2013	As of June 30 FY2014
Assets:		
Current Assets:		
Cash and deposits	9,237	3,265
Notes and accounts receivable-trade	22,205	21,819
Merchandise and finished goods	113	367
Work in process-construction	584	958
Raw materials and supplies	5,447	10,216
Other	1,686	1,347
Allowance for doubtful accounts	(624)	(1,225)
Total Current Assets:	38,648	36,749
Fixed Assets:		
Property, Plant and Equipment:		
Buildings and structures, net	1,890	2,484
Machinery, equipment and vehicles, net	1,270	1,288
Land	9,179	9,269
Other, net	1,840	1,335
Total Property, Plant and Equipment:	14,181	14,378
Intangible Fixed Assets:		
Goodwill	513	485
Other, net	59	58
Total Property, Plant and Equipment:	572	544
Investments and Other Assets	1,914	1,979
Total Fixed Assets:	16,668	16,902
Total Assets:	55,316	53,651

(millions of Yen)

	As of March 31 FY2012	As of June 30 FY2013
Liabilities:		
Current Liabilities:		
Notes and accounts payable-trade	20,114	18,565
Short-term loans payable	5,000	8,843
Accounts payable-other	4,836	4,250
Lease obligations	1,720	151
Provision	236	47
Other	4,673	4,507
Total Current Liabilities:	36,581	36,365
Non-Current Liabilities:		
Bonds payable	30	30
Long-term loans payable	3,695	3,440
Provision for retirement benefits	181	172
Provision for directors' retirement benefits	429	444
Provision for disposal site closing expenses	1,534	1,409
Other	1,036	1,011
Total Non-Current Liabilities:	6,907	6,508
Total Liabilities:	43,489	42,874
Net Assets:		
Shareholders' Equity:		
Capital stock	14,041	14,041
Capital surplus	4	4
Retained earnings	(768)	(1,845)
Treasury stock	(1,581)	(1,570)
Total Shareholders' Equity:	11,695	10,630
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	91	109
Foreign currency translation adjustment	44	34
Total Valuation on Retirement benefit	-33	(25)
Total Valuation and translation adjustments:	102	117
Minority Interests:	29	28
Total Net Assets:	11,827	10,777
Total Liabilities and Net Assets:	55,316	53,651

(2) Consolidated Quarterly Statement of Income

(millions of Yen)

	First Quarter	
	From April 1 to June 30	
	FY2013	FY2014
Net sales	15,753	21,714
Cost of sales	11,121	16,907
Gross profit	4,631	4,806
Selling, general and administrative expenses	3,665	5,935
Operating income (loss)	965	(1,129)
Non-operating income:		
Interest income	1	1
Dividends income	4	5
Foreign exchange gains	18	18
Land and house rent revenue	-	87
Other	18	76
Total non-operating income	43	190
Non-operating expenses:		
Interest expenses	42	50
Commision paid	18	4
Foreign exchange losses	22	-
Other	0	12
Total non-operating expenses	84	66
Ordinary income (loss)	924	(1,005)
Income (loss) before income taxes and minority interests	924	(1,005)
Income taxes-current	149	116
Income taxes-deferred	(2)	101
Total income taxes	146	217
Income before minority interests	778	(1,223)
Minority interests in income	0	0
Net income (loss)	778	(1,222)

(Comprehensive Income)

(millions of Yen)

	FY2012	FY2013
Income before minority interests	778	(1,223)
Other comprehensive income		
Share of other comprehensive income of associates accounted for using equity method	(3)	17
Foreign currency translation adjustment	1	(10)
Total Valuation on Retirement benefit	—	8
Total other comprehensive income	(2)	15
Comprehensive income	776	(1,208)
Comprehensive income attributable to		
Comprehensive income attributable to parent company	776	(1,207)
Comprehensive income attributable to minority interests	(0)	(0)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes to going concern) None

(Notes to remarkable changes in Shareholders' Equity) None

(Segment Information)

I. Prior First Quarter (From April 1, 2013 to June 30, 2013)

(millions of Yen)

						(note 1)	(note 2)
Sales:							
Sales to customers	8,544	2,619	602	3,986	15,753	—	15,753
Internal sales among segments and transfer accounts	—	—	—	—	—	—	—
Total	8,544	2,619	602	3,986	15,753	—	15,753
Operating income(loss)	680	492	15	439	1,626	(660)	965

(note 1) Negative ¥660 million for adjustments of Operating income(loss) represents corporate expenses not allocated to reportable segments. Corporate expenses are mainly general and administrative expenses not attributable to reportable segments.

(note 2) Operating income(loss) is adjusted to operating loss of Consolidated quarterly statements of income.

II. This First Quarter (From April 1, 2014 to June 30, 2014)

(millions of Yen)

						(note1)	(note2)
Sales:							
Sales to customers	15,635	2,064	273	3,741	21,714	—	21,714
Internal sales among segments and transfer accounts	—	—	—	—	—	—	—
Total	15,635	2,064	273	3,741	21,714	—	21,714
Operating income(loss)	(930)	330	(50)	374	(275)	(854)	(1,129)

(note 1) Negative ¥854 million yen for adjustments of Operating income(loss) represents corporate expenses not allocated to reportable segments. Corporate expenses are mainly general and administrative expenses not attributable to reportable segments.

(note 2) Operating income(loss) is adjusted to operating income of Consolidated quarterly statements of income.

3. Supplemental Information

Consolidated Net Sales by Segment

(Thousands of Yen)

	First quarter		Changes
	from April 1 to June 30		
	FY2013	FY2014	
Photovoltaic power generation system	6,784	14,840	8,056
Wholesale of photovoltaic system components	1,760	765	(994)
Others	—	29	29
Solar Engineering Division Total:	8,544	15,635	7,090
Termite Eradication Service	1,027	752	(178)
Under-Roof/Floor Ventilation System	462	283	(144)
Foundation Repairing/Home Reinforcement System	290	145	42
Other	839	882	(555)
Home Sanitation Division Total:	2,619	2,064	
Anti-rust equipment installation	133	25	(108)
Repair of building water-works	261	113	(147)
Waterproofing of building	59	25	(33)
Other	148	108	(40)
Establishment Sanitation Division Total:	602	273	(329)
Plastic fuel	2,427	1,903	(523)
Industrial waste (Organic Waste Water Recycle)	817	977	159
Generation of electricity	441	410	(31)
Final disposal	154	174	19
Other	145	276	130
Environmental Resources Development Division Total:	3,986	3,741	(244)
Total Net Sales:	15,753	21,714	5,960